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Universities, I believe, hold our greatest hope for the future. The current, practical expedients may work well for the farmer of today, but traditional solutions have to be logically dissected in classrooms and laboratories if that same farmer is to have a brighter tomorrow. It is a pleasure to have the opportunity to speak to you this evening.

PROCUREMENT SECTION
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It was not so very long ago that if I had been asked about the current value of gold, I would have replied confidently: it's worth \$32 an ounce. Times sure have changed. Now, even referring to the precious metal quotations from the financial section of this morning's newspaper, I can't say with any certainty what gold is selling for at the moment.

For thousands of years, people have made jewelry with gold because it is pretty. It's also great stuff to fill cavities with. Inherently, however, it isn't worth anything at all. You can't build houses out of it. You can't weave a shirt with it. And while you might try eating it, I can confidently assure you that it has no nutritional value.

So why are people buying it and selling it with such unpredictable fervor? I can answer that with one word: panic. It used to be that well-to-do people in unstable nations would have a lot of their wealth in jewels and precious metals. They anticipated revolution. And houses and land are hard to carry when you're running for your life. Now, everyone is doing it. People around the world are panicked. It's an international state of mind and not a particularly healthy one.

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Remarks by P. R. "Bobby" Smith, Assistant Secretary for Marketing and Transportation Services at the University of Georgia Agriculture Council Banquet, Athens, Georgia, April 15, 1980.

Why? Why are masses of people becoming infected with this irrationality, this psychological disease, this feeling that doom is lurking around every corner? I have to believe that the panic is a dangerous overreaction to some very real problems. People can't see the trees for the forest. That old proverb works both ways, it seems to me. Apparently many people see the problems as a maze and throw up their hands in defeat, seek illogical solutions or grand schemes to solve it all at once rather than take those problems one at a time, tree by tree so to speak.

Admittedly, the picture is not a pretty one. In degrees of ugliness, our national economy runs a close third to the situations in Iran and Afghanistan.

Inflation has accelerated sharply. The Consumer Price Index increased at an annual rate of 18 percent for the first two months of this year. Interest rates have skyrocketed to 20 percent and higher. Bonds are being heavily discounted from their face value. Bankers are advising customers not to borrow, or they are making short-term loans only. Inventories are down. Many business people, from millers to wholesalers, are doing business on a day-to-day basis. I could continue this recitation, but it's a litany tailored for a sadist.

Where does it all end? Well, we need good leadership and we have it. We need to work harder and we've proven ourselves capable of that. And we need faith that with good leadership and hard work we can reverse the economic trends.

Historically, we have been a people who called on our faith with great success. We have moved mountains when we had to. We have generated that little light at the end of the tunnel for the rest of the world to see. And we will have to do it again. I firmly believe that a major part of the solution is psychological. Just as panic is a contagious disease, confidence is a communicable force for our collective well-being.

I am confident that President Carter's five-point program announced last month will bring inflation under control. It will work, but it will hurt. It will hurt us personally. We will have to sacrifice, and it won't be a short-term sacrifice. If we have learned anything from the last decade it is that there are very real limits to our resources and to our power.

We cannot turn back the clock to an easier day with the wave of a hand. We are going to have to learn to make do with less of some things. And our loss will be a permanent one.

The first item in the President's proposal is to balance the budget and reduce federal employment. The job freeze which is already in force--retroactively I might add--will mean 20,000 fewer federal employees by the end of the year. Government can no longer provide us with all of the social niceties we have been accustomed to. They cost too much.

Second, we have been asked to restrain credit and bring excess spending under control. All this doesn't sound like much fun. The only consolation I can think of is that our wallets won't be so overstuffed with plastic cards that it hurts to sit down.

To curtail our excess spending, the President's proposal will authorize controls over consumer loans other than those for houses, automobiles and other durable goods. Authority will be given to restrain credit for banks which are not members of the Federal Reserve system. For our part, the government will cut our lending and loan guarantees by \$4 billion next year.

Third, the private sector has been asked to exercise extreme restraint in raising prices and wages. Government will provide the example and closely monitor the situation to see that others follow suit. "If you raise your wages, I'll have to raise my prices." This sort of tit-for-tat thinking will have to stop. We have to understand that this seeming perpetual motion, this tyranny of inflation, has nothing inevitable about it. It dies with the resolution that we will simply have to make do with less.

Fourth, the President has proposed to institute conservation measures to cut a foreign oil bill that has increased 20 fold in the past 10 years. The American penchant for that Sunday drive in the country goes back to the days when the phrase "horsepower" had a literal meaning. For all but the frivolous such pleasures will be fond memories with gasoline expected to reach \$2 per gallon before the end of the year.

Fifth, President Carter has proposed measures to encourage productivity and savings, as well as research and development. This is the only area which won't hurt unless we are afraid of hard work. Although many of our losses will be permanent, diligence in this area will help to build back our standard of living.

Now, the budget proposal has been submitted to Congress. When it passes it, along with the oil windfall profits tax, will not only bring the budget into balance, it will create a surplus for the first time in 12 years.

The cuts proposed are government wide. Every federal department has been ordered to reduce its on-going spending. For the Department of Agriculture, it will mean a reduction of \$900 million--\$600 million of which are to be lopped off the food stamp and school lunch programs. Likewise, the department's loan programs will be cut by \$150 million, and conservation will be cut a like amount.

The spending cuts and credit restrictions, coupled with the President's decision to postpone most of the new or expanded programs originally proposed in the fiscal 1981 budget, can bring inflation under control and get our volatile economy back on a sounder footing. There are hard times ahead. Breaking the back of inflation will not be easy.

The cost of money has caused a major slow-down in the housing market. When the silver market fell apart, it caused a slump in the commodity markets as speculators shifted their money to safer investments. The automotive and light airplane industries have shut down production lines and announced temporary layoffs because would-be buyers were unable to get needed financing.

The credit crunch also hit agriculture, unfortunately, just when farmers are looking for money to finance their spring plantings. Some officials in our Farmers Home Administration report that the situation is worse in some states than in others.

To help farmers get their crops planted, the President signed an additional \$2 billion emergency loan package. He directed Secretary of Agriculture Bob Bergland to see to it that the loans went primarily "to cover operating expenses and that it go where credit is the tightest and to those farmers who could not produce another crop without this assistance."

But even with these loan funds, the situation remains tight. Commodity markets and farm prices in general have been in a slow decline.

A lot of people who should know better blamed it all on the Russian trade suspension. For some reason, a lot of people are preoccupied with Russia. They seem to think U.S. markets will collapse without Russian sales. In reality, our overseas sales of U.S. farm products are going to set records again this year. Last year's \$32 billion record is likely to be eclipsed by nearly 16 percent this year, with exports expected to reach \$37 billion.

In a deck of economic cards that seem to be stacked against us, agricultural exports represent our strong suit--thanks to a healthy, productive agricultural economy.

We recognize the over-riding importance of maintaining that productivity and economic health. That is why, when exports to the Soviet Union were suspended, President Carter directed that we do whatever was necessary to protect farmers from the suspension's effect.

Those actions are working. While farm income is likely to be down this year, none of the decline can be laid directly to the suspension. The current slump is the

result of a series of factors: the tight-money and interest-rate situation, last fall's transportation situation that caused us to fall behind in moving a record crop through the pipeline, the pull-out from the commodity markets following the bust in silver and normal seasonal slump.

Those who blame it on the suspension conveniently overlook the fact that practically all contracts for wheat, corn and soybeans were back at their January 4 levels by the first week of February because of our off-setting actions.

One action we took was to encourage producers to put more grain into the farmer-owned reserve. As of yesterday afternoon, Secretary Bergland opened the farmer-owned reserve to previously ineligible corn. Farmers who did not participate in last year's program will have until May 15 to place corn in the reserve. We've raised the loan, release and call prices; widened the difference between the release and call prices, and increased storage payments.

These changes will help isolate from the market grain which had been scheduled to go to the Soviet Union.

There was not much of a surge in prices when we made our initial purchases of corn and wheat to offset the impact of the Russian cancellation. The trade seemed skeptical of our intention to buy. But by this week, they are finally getting the message. Before most of the bids we were getting at the elevator level were out of line. So, in the case of wheat, we went directly to the farmers and offered to buy at a set price.

Our county offices that accepted the bids said the response was tremendous. Within one hour after the offer was announced, one Texas county had bids in from four farmers. Before the day was out, one Oklahoma county office had received 35 offers; and in another county farmers were in with bids to sell 55,000 bushels of wheat. The 4 million tons of wheat which was to go to the Russians had been purchased.

When grain prices weakened after the suspension was announced, we heard a lot of people say that the suspension would hurt American farmers more than it would the Russians. But now the reports are beginning to trickle out of Russia, and the impact of the suspension is more intense than we thought it would be.

Stories in the Soviet press are urging their farmers to feed their cows pine needles and other forage. They called for more reliance on hay and fodder and said that heavy use of grain to feed livestock wouldn't be accepted.

Reports from our attache in Moscow indicate that the Russian people face the prospect of widespread food shortages and high prices. Meat and Russian staples such as sour cream, cottage cheese and yogurt are either hard to find or nonexistent in the state stores. And in the better stocked markets, where farmers put their private goods on sale, it takes \$21 to buy a three pound chicken and \$5 for a pound of stew beef. That's in a country where the worker's average wage is \$270 per month.

What will happen in the future as far as the Russians are concerned is largely up to them. We are prepared to do business with them on our terms or to write them off as a customer if that is what it takes.

These are difficult times. They bring political problems to those who are willing to face new realities. For a nation accustomed to limitless resources, unbounded horizons and absolute dominance of the world, some new realities are hard to accept.

Nevertheless, I become more convinced every day that Americans will understand that the path taken by President Carter is the path to saving our country. A path of prudence, patience and restraint--the proper path for a mature and responsible nation in these times and circumstances.

The anti-inflation program the President announced recently is a major step along that path. It is not a departure. It is an intensification of continuing policy. What he is trying to do, in that phrase from his inaugural address three years ago is to "adjust to changing times and still hold to unchanging principle."

The anti-inflation program responds to alarming changes in the rate of inflation. It is tough and timely, but fair. And it will work. It will break the back of inflation. It will reverse the psychology of panic I talked about earlier. But it can only work if the Congress and the people rise to the challenge.

For a long time too many of us refused to recognize the real dimensions of the energy and inflation crisis. Now I think we are beginning to understand how serious the situation is.

Austin Kiplinger, a respected publisher wrote recently about how societies grapple with difficult problems:

"One of the first steps in solving problems is to recognize that you have a problem. All right, we've done that, the second step is to grapple with the realities of the problem, and we're right at that stage. The third step is to come face to face with the ultimate realities and necessities and tell yourself you've got to do it. And the next step is to start moving."

This is a nation in crisis. But for all of our troubles, we are still an energetic, smart and tough country. We have, as one writer put, a country with a "powerful sense of inward unity."

I believe, as the President does, that we are going to come through this crisis, and we're going to come out of it stronger than ever before.

Thank you very much.

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